



## Minutes of the IT Investment Board Finance and Audit Committee

October 4, 2004

### **Members Present:**

Scott Pattison, Chair  
Walter Kucharski (ex-officio)  
Dr. Mary Guy Miller

### **VITA Staff Present:**

Lem Stewart  
Cheryl Clark  
Austin Matthews  
Leslie Carter  
Barbara Rudolph  
Jerry Simonoff  
Roz Witherspoon

Scott Pattison called the meeting of the Information Technology Investment Board Finance Committee to order at 1:00 p.m. The roll was called, and each of the three member committee was recorded as present, one via telephone, Dr. Mary Guy Miller.

### **Approval of Minutes**

Dr. Miller made a motion that the minutes of the July 7, 2004 meeting be approved. Walter Kucharski seconded the motion. There being no discussion, the minutes were approved as written.

### **Finance Report -**

Austin Matthews reported as follows:

#### **FY04 Financial Results:**

##### **Internal Service Funds**

VITA's financial performance in its internal service funds for FY04 was as expected. Rates were reduced for Unisys services; however, because of increased usage, revenues were larger than expected. Expenses were as anticipated. VITA ended the fiscal year with an overall increase in net assets of \$1.3 million, for a total of \$27.8 million, in its internal service funds.

##### **Enterprise Funds**

Financial performance was as expected, including a decrease in net assets of approximately \$12 million, due to E-911 and web portal activities being transferred to localities as mandated by the General Assembly.

### **Governmental Funds**

General funds ended the year with a little over \$1,000 balance. Special revenue fund balances were expected. Federal funds (grants received in FY04) will be expensed in FY05.

Dr. Miller inquired if the additional revenues in the Internal Service Fund, due to increased usage of Unisys, would drive down overall cost of Unisys. Austin Matthews stated that in FY 04, Unisys rates were reduced. With DSS' use of the Unisys service, revenues increased due to the higher usage of the mainframe.

He stated that agencies are requested to submit their plans for anticipated usage and projections are made for a 4-5 year period. In addition, there is an internal capital investment plan at VITA so there are indications when upgrades are needed to the mainframe. This analysis projects changes in usage and, thus, will affect the rates. Generally, increased usage sustained over time will reduce rates.

### **Savings Report Update**

Renegotiated the Verizon local phone service contract and over the 6-year period, there will be a savings of \$28 million to the Commonwealth, including both the Executive and Legislative branch agencies and any localities that used the Telco services.

### **Finance Planning Schedule**

As requested at the July, 2004 ITIB Finance Committee meeting, Austin Matthews presented and discussed a developed Finance Planning Schedule. The Schedule list key finance activities to be completed during the Finance Committee meeting months – February – December. The schedule also coincides with the full ITIB regular meeting schedule. In the event that activities become due between scheduled Finance Committee meetings, and it is impractical to meet for Committee approval, Walter Kucharski made the following motion:

*“The Information Technology Investment Board authorizes the CIO to proceed with key financial activities that come due between Finance Committee meetings so as not to impede VITA’s ability to perform day-to-day activities. The ITIB Finance Committee shall be given five days to review materials and provide feedback; if no feedback is received within five days, the CIO may assume approval and proceed accordingly.”*

Dr. Miller seconded the motion. The Committee carried the motion unanimously.

### **September 2004 JLARC Submission for Revised and New Service Rates**

VITA submitted a request to JLARC on September 22, 2004 to approve changes to four of its existing legacy rates and to approve rates for seven services, three of which are new and four of which did not have rates previously.

- The COVANET shortfalls, resultant from the 2003 contract savings passed through to VITA customers, resulted in lower revenues to VITA that did not cover VITA's fixed costs. There is also a shortfall in the router services product line and in IBM tape storage.

However, in the IBM disk storage arena, revenues exceeded expenses necessitating a rate decrease. With the combined impact of all four legacy rate changes, this will result in \$700,000.00 increased cost for the in-scope agencies and a total of \$1 million increased cost for all customers.

- Of the request for four new services currently provided, three of these services provided were never charged to customers. The fourth service used an existing rate to charge customers. A new rate was developed that will result in an additional \$1.1 million in revenues to VITA annually.
- The three new services proposed to JLARC not previously provided by VITA validate what VITA was created to do – to begin to provide services that are shared across the enterprise: server disk storage is providing devices that can be shared by many applications and customers; oracle financials allows VITA to begin hosting oracle financials applications in VITA and have agencies who are currently running oracle financials access it through VITA. The benefit to the Commonwealth is that each agency does not have to have its own contract, does not have to upgrade or maintain the application, and there will be one version of the application maintained at VITA. The third new service proposed is government to government enterprise services interface.

Walter Kucharski and Scott Pattison expressed concerns regarding why COVANET was not costed out during the time of contract negotiations. Lem Stewart stated that the contract was a cost per service reduction as opposed to changes to services to be provided. Cost of units delivered by the carrier, most of which was pass through, was the only change. Planning and Budget pulled the savings associated with the revised COVANET (MCI) contract from the agencies.

Austin Matthews advised that VITA had been notified by Glen Tittermary that the submission will not go to JLARC for its October meeting. JLARC is establishing a Rate Sub-committee to review rates proposed by VITA and DGS. The Sub-Committee will meet in October, review the submission, and make recommendations to the full Commission at its November 8<sup>th</sup> meeting. VITA had originally requested that rates be reviewed November 1<sup>st</sup>. Glen Tittermary advised that rate proposals would be retroactive to November 1<sup>st</sup>.

The proposal had been received by JLARC staff on September 24<sup>th</sup>; however, no meeting has been scheduled with VITA staff.

Walter Kucharski made a motion that:

*“The ITIB Finance Committee approve the September 22, 2004 JLARC submission.”*

Dr. Miller seconded the motion. The motion was carried unanimously. The JLARC submission will be discussed by the full Board at its October 13<sup>th</sup> meeting.

### **Proposed Amendments to the 2004-06 Biennial Budget**

Austin Matthews explained that proposed amendments were provided to the Secretary of Technology on September 24, 2004, and preliminary approval has been given. The funding source for amendments is GF. Discussion of proposed amendments was held.

Scott Pattison and Walter Kucharski expressed concerns regarding Priority #3 – “Build incident management capability to prevent/contain cyber attacks: and #5 – “Enhance IT strategic planning and project management performance and decision making.”

Walter Kucharski suggested that if these priorities are required by Code, recommendations for alternative funding should be given to the Department of Planning and Budget, namely: (1) get GF to pay for it; (2) it will be treated as a service and will be billed for it; or (3) change the Code.

Dr. Miller and Walter Kucharski also expressed concerns regarding the priority order of amendments, in particular priority order of Priority #9 – “Provide IT project planning funds.” It was discussed that this priority be moved closer to the top so that it would be regarded as a top priority.

Scott Pattison recommended that Austin Matthews and staff revise the prioritized amendment summary and e-mail the final draft to the ITIB Finance Committee based on committee input. The revised budget amendment summary and transmittal letter will be proposed to the full ITIB at its October 13<sup>th</sup> meeting, and after discussion, will be submitted to the Department of Planning and Budget.

## **Proposed Board Member Expense Reimbursement Policy**

Discussion was held regarding Board members’ submissions for reimbursement. John Westrick advised that ITIB By-Laws specifically state that the Chairman acts as the Board’s spokesperson in public meetings. It would require Board action to assign someone other than the Chairman to be reimbursed for representing the Board in public setting.

John Westrick stated that the Policy is to be used for staff guidance, and does not have to be adopted by the Board. Scott Pattison suggested that the draft ITIB Reimbursement Policy be given to the Board only as a handout.

## **Proposed Audit Charter and Finance Committee Expansion**

Austin Matthews presented an audit Charter that had been developed with guidelines provided by the Office of the Auditor of Public Accounts. The mission of the internal audit department would be to provide independent, objective assurance and consulting services designed to add value and improve the organization’s operations.

Austin Matthews stated that the Charter was written to reflect the Audit Director directly reporting to the CIO, with a dotted reporting line to the Finance Committee.

Walter Kucharski and Scott Pattison expressed concerns regarding the direct reporting responsibility to the CIO, rather than to the ITIB Finance Committee. It was agreed that the day-to-day accountability should be to the CIO; however, rather than a dotted line reporting

accountability, the Audit Director should have overall direct reporting to the ITIB Finance Committee in executing audit responsibilities. Both the CIO and the Finance Committee will be involved in personnel decisions concerning the Audit Director.

It was decided that Austin Matthews would work with Walter Kucharski in revising the Audit Charter based on discussions. The updated charter would be discussed at the October 13<sup>th</sup> ITIB meeting so that the recruiting process can begin.

Scott Pattison made the following motions:

*“Pending changes, the Audit Charter be approved for submission to the ITIB and the ITIB authorize the recruitment of the Audit Director, and,*

*That the ITIB Finance Committee be increased by two Board members and renamed the ITIB Finance and Audit Committee as a result of the added audit responsibilities.”*

Dr. Miller seconded the motion. The motion carried unanimously.

## **APA Reports Review**

Austin Matthews reported as follows:

### **January 2004 Special Report Update**

- Item #4 - Billing System  
Completed and went “live” in August for the July bill
- Item #7 - VITA Audit Director  
Per discussions of October 4<sup>th</sup> meeting, moved from “on hold” to “active” status
- Item #12 - Staffing Costs and Methods  
Remains “on hold” by ITIB in terms of reevaluating the reduction in force policy and transformation staff issues

### **June 2004 Report to the ITIB - Open Legislative Study Recommendations**

VITA responses to the synopsis of past legislative studies on information technology provided to the ITIB at its June 1, 2004 planning session was discussed.

Walter Kucharski suggested that the APA Reports Review and the Legislative Study Recommendations be submitted to Committee Chairs and the legislators to show the progress that has been made, as well as open items that have not been completed.

Dr. Miller and Lem Stewart concurred that this will be one way to address the miscommunication regarding VITA accomplishments and progress.

Lem Stewart stated that the document would also be helpful in his discussions with and presentation to House Appropriations Committee on October 18<sup>th</sup>.

## **Other Business**

Scott Pattison congratulated Eugene Huang, the newly appointed Secretary of Technology.

## **Public Comment**

There was no public comment.

## **Executive Session**

Walter Kucharski made the following motion:

*“Mr. Chairman, I move that the ITIB Finance Committee convene a closed meeting on a real estate matter, pursuant to Virginia Code §§ 2.2-3711(A)(6), for the purpose of discussing and considering the lease or other acquisition of real property to house VITA operations currently located in the Richmond Plaza Building, as discussion in an open meeting could affect the bargaining power, negotiating strategy or financial interests of VITA and the ITIB, and pursuant to Virginia Code § 2.2-3711(A)(7) to consult with legal counsel regarding lease provisions and the legal ramifications of VITA’s options for housing operations currently located in the Richmond Plaza Building.”*

The motion was seconded by Scott Pattison. Dr. Miller was excused as telephonic communication and participation in the closed meeting is not permissible under FOIA. The motion was carried by a vote of 2-0.

The Board immediately reconvened in open session at 3:23 p.m. Walter Kucharski made the following motion:

*“The ITIB Finance Committee is now reconvened in open session, having completed a closed meeting to consider and discuss the lease or acquisition of real property to house VITA operations currently located in the Richmond Plaza Building. I will now conduct a roll call vote and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting, were heard, discussed or considered in the closed meeting.”*

Scott Pattison seconded the motion. The roll was called, and each of the two members so certified.

## **Adjourn**

The meeting was adjourned at 3:25 p.m.

**ITIB Finance Committee Meeting  
Monday, October 4, 2004 - 1:00 p.m.  
Attendance Sheet**

<b>NAME</b>	<b>ORG./AGENCY</b>	<b>TEL. NUMBER</b>
Ed Vincent	DSS	726-7816
Nicole Pugar	Trebon Group	649-6299
Michael King	Northrop Grumman	703-713-4371
Jim Wilson	Northrop Grumman	703-713-4371
Erin Fitzgerald	CGI-AMS	648-3865
Ben Lewis	CGI-AMS	648-3906
Fred Norman	CVC LLC	690-1497
Nancy LePage	IBM	327-4687
Billy Barbee	DPB	786-0216
Chris Chappell	APA	225-3350
Karen Helderman	APA	225-3350
Leslie Carter	VITA	343-9010
Barb Rudolph	VITA	371-5740
Sheryl Chasse	Teksystems	968-6031
Jerry Simonoff	VITA	343-9001
Judy Napier	SOTECH	786-9579
Eugene Huang	SOTECH	786-9579